

Ticker: OIII CN

Cash: C\$26m

Project: Marban + Alpha

Market cap: C\$112m

Price: C\$1.49/sh

Country: Canada, QC

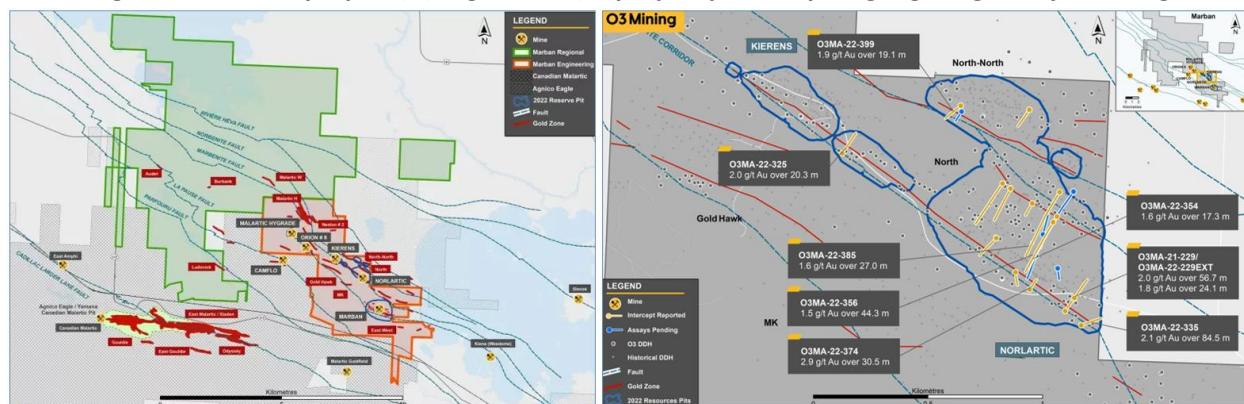
REC. (unc): BUY

TARGET (unc): C\$3.75/sh

RISK RATING (unc): SPECULATIVE

While today's drilling is mostly pit infill, the headline talks to conversion on an existing 50koz of inferred resources that could fall into the next mine plan, providing additional value in first 10 years of mining at Marban. Also interesting are hits outside of PFS pit shells that point to additional LT growth, albeit some constrained by shared property boundary with Agnico. High level, with current OP 2.4Moz @ 1.1g/t and UG 197koz @ 4.1g/t resources, today's average 27m @ 2g/t from 85m down-hole for all hits is impressive – continuing to derisk the resource with good confirmation of grade. For now, **we maintain our BUY rating and C\$3.75/sh PT** based on $0.2 \times \text{NAV}_{5\% - 1850}$ for Marban, plus US\$30/oz for resources outside reserves and investments. With the stock trading on just $0.2 \times \text{NAV}$ today ahead of twin tracked ounce growth and permitting to drive value this year, O3 is well positioned among the select few advanced projects of scale on infrastructure in Canada, a key attraction for M&A in our view given the forecasted demand of surrounding mills.

Figure 1. Marban project (A) regional & (B) project plan maps highlighting today's drilling



Source: O3 Mining

Kierens-Norlartic infill program adds near-term value to mine plan; 44.3m @ 1.5g/t; 2023 outlook

O3 reports results from 14 Kierens-Norlartic drill holes as part of a broader 64 hole (12,152m) infill drill program, highlighted by **84.5m @ 2.1g/t Au**, **56.7m @ 2.0g/t**, **44.3m @ 1.5g/t**, and **30.5m @ 2.9g/t Au** from Norlartic and **20.2m @ 2.0g/t** from Kierens all <48m down-hole. Three rigs are turning at Marban, with assays pending for five holes. An MRE update is planned following additional results ahead of the 1Q24 FS.

Separately on January 16th 2023, O3 provided an outlook for 2023: (i) **Feasibility study** planned to kick off in 1H23 (1Q24 completion), preceded by technical work (geotech + metallurgy) and optimization studies in 1Q23. (ii) **Exploration** – 26,000m planned at Marban mine life extensions including near pit expansions and underground for maiden UG resource in 2Q23. (iii) Regional exploration – 9,300m planned to test gold and base metal targets. (iv) Alpha Exploration – 4,000m planned with 2,200m focused on Centremaque intrusion follow up plus 1,800m planned to test near surface targets near Akasaba adjacent to Agnico Eagle's Akasaba West mine.

Why we like O3

- Large holding on global top-three Archean belt straddling the Cadillac Break around Val d'Or
- Existing 'base load' 2.6Moz resource / 1.7Moz inventory / 160koz pa Y1-10 scenario at Marban
- 24% ownership of 12Moz Moneta where Garrison provides base-load while Highway lifts grade
- 'Get it done, fast' including +150km drill program underway speeds equity ROI

Catalysts

- 2023: Feasibility work and permitting
- 2023: 26,000m drill program at Marban + 9,300m regionally and 4,000m at Alpha
- 2Q23: Marban UG maiden resource
- 1Q24: Feasibility Study
- CY24/26: Build start / First production

Research

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Ticker: OIII CN	Price / mkt cap: C\$1.49/sh, C\$112m	Project PNAV today: 0.15x	Asset: Marban + Val d'Or
Author: Brandon Gaspar	Rec / xNAV PT: BUY, C\$3.75/sh	1xNAV build start, FD: C\$10.15/sh	Country: Canada, QC / ON

Commodity price	CY20A	CY21A	CY22E	CY23E	CY24E
Gold price	1,768	1,863	1,857	1,852	1,850

SOTP project valuation*

	C\$m	O/ship	NAVx	C\$/sh
Marban proj @ 2Q24 build start	653	100%	0.2x	1.60
3Q22 Cash + equivalents	26	100%	1.0x	0.32
Cash from options	14	100%	1.0x	0.17
Resource ex reserve @ US\$30/oz	92	100%	1.0x	1.13
O3 interest in Moneta Gold	42	100%	1.0x	0.52
Asset NAV5% US\$1850/oz	827			PT: 3.74

*Diluted for options but not mine build Market P/NAV5%(today) 0.15x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*

Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	255	328	400	471	542
7.5% discount	351	433	514	594	674
5.0% discount	468	561	653	744	835
Ungeared project IRR:	19%	22%	24%	26%	29%

*Project NPV, ex fin. costs and cent G&A, discounted to build start

Group valuation over time^

	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Marban NPV (C\$m)	609.9	643.2	740.0	1,010.1	1,185.7
G&A and finance costs (C\$m)	(107.6)	(109.1)	(108.4)	(95.1)	(73.0)
Net cash prior qtr (C\$m)	26.0	35.8	140.6	(92.5)	(240.1)
Cash from options (C\$m)	13.9	13.9	13.9	13.9	13.9
Resource ex reserve (C\$m)	92.0	92.0	92.0	92.0	92.0
O3 interest in Moneta Gold	42.1	42.1	42.1	42.1	42.1
NAV FF FD (C\$m)	676	718	920	970	1,021
Shares in issue (m)	75.0	75.0	75.0	75.0	75.0
1xNAV5%/sh FF FD (C\$/sh)	9.01	9.57	12.27	12.94	13.60
Equity ROI from spot (% pa)			187%	106%	74%

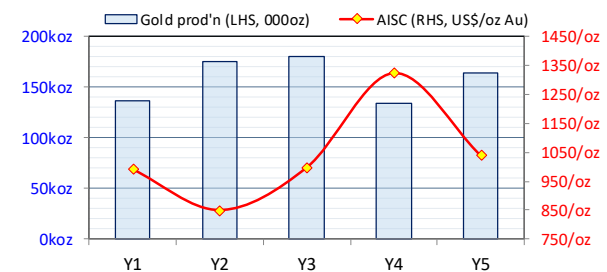
Geared company NAV diluted for mine build, net G&A and finance costs

3Q26 1xNAV FF FD (C\$m)^	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	662	753	843	932	1,021
7.5% discount	731	829	925	1,020	1,115
5.0% discount	813	917	1,021	1,123	1,225
Geared project IRR:	0%	0%	0%	0%	0%

^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity

Production	Y1	Y2	Y3	Y4	Y5
Marban gold production (000oz)	137	175	180	134	164
C1 cost (US\$/oz)	812	686	831	1,119	865
AISC cost (US\$/oz)	990	849	996	1,324	1,038

AISC = C1 + ug sustaining capex, Y1 = 1Q26



Source: SCP estimates

Resource / Reserve	Au (koz)	Au (g/t)	Deposit	Au (koz)
M&I	2862koz	1.18g/t	Marban	2597koz
Inferred	1087koz	3.09g/t	Akasaba	543koz
Total	3949koz	1.42g/t	Orenada	321koz
Marban PFS pit inventory	1650koz	0.91g/t	Bullfrog / Kappa	318koz
			Sleepy, Simkar	170koz

Share data

Basic in issue (m)	75.0	DFS / Mine build equity (C\$m)	189
FD with options (m)	81.4	Mine build debt (C\$m)	261
FD for mine build @ 0.4xNAV (m)	128.0	Build shares issued @ 0.4xNAV (m)	46.5

Ratio analysis

	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	54.5	65.8	70.9	75.0	75.0
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	47.0	70.8	81.2	(95.8)	41.7
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement

	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-
Gross profit (C\$m)	-	-	-	-	-
D&A, attrib (C\$m)	0.0	(0.0)	0.0	0.0	-
Group G&A (C\$m)	4.7	5.3	6.4	5.8	4.0
Finance cost (C\$m)	0.1	0.1	0.3	-	3.5
Taxes (C\$m)	-	0.2	(0.8)	-	-
Net income (C\$m)	(4.8)	(5.6)	(5.9)	(5.8)	(7.5)
EBITDA (C\$m)	3.3	24.9	(6.3)	(5.8)	(4.0)

Cash flow, attrib.

	CY20A	CY21A	CY22E	CY23E	CY24E
EBIT (C\$m)	(4.8)	(5.3)	(6.4)	(5.8)	(4.0)
Add back D&A (C\$m)	0.0	(0.0)	0.0	0.0	-
Less tax (C\$m)	0.1	0.3	(0.5)	-	3.5
Net change in wkg cap (C\$m)	0.8	0.1	0.8	0.1	-
Add back other non-cash (C\$m)	(0.7)	0.1	0.2	(0.1)	(7.0)
Cash flow ops (C\$m)	(4.6)	(4.9)	(5.9)	(5.8)	(7.5)
PP&E - build + sust. (C\$m)	1.4	(0.5)	(0.8)	-	(130.0)
PP&E - expl'n (C\$m)	(15.9)	(36.2)	(25.0)	-	-
Cash flow inv. (C\$m)	(14.6)	(36.7)	(25.7)	-	(130.0)
Share issue (C\$m)	37.9	32.9	16.2	189.0	-
Debt draw (repay) (C\$m)	-	-	-	-	174.0
Cash flow fin. (C\$m)	37.9	32.9	16.2	189.0	174.0
Net change in cash (C\$m)	18.7	(8.6)	(15.5)	183.2	36.5

Balance sheet

	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (C\$m)	34.3	27.2	24.4	207.6	244.1
Acc rec., inv, prepaid (C\$m)	2.5	2.2	3.3	3.3	3.3
PP&E + other (C\$m)	174.3	236.8	243.7	243.7	373.7
Total assets (C\$m)	211.1	266.2	271.4	454.6	621.1
Debt (C\$m)	-	-	-	-	174.0
Accounts payable (C\$m)	3.3	8.0	4.3	4.2	4.2
Others (C\$m)	13.1	19.2	24.6	24.6	24.6
Total liabilities (C\$m)	16.3	27.2	28.9	28.8	202.8
Sh'hlds equity + wrmts (C\$m)	184.2	202.3	214.6	403.6	403.6
Retained earn'gs + rsvs (C\$m)	10.6	36.7	27.9	22.1	14.7
Liabilities + equity (C\$m)	211.1	266.2	271.4	454.6	621.1

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Summary of Recommendations as of February 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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